

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 ISO-00 AGRE-00 AID-05
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 ICA-11
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-07 CEA-01 L-03 H-01 PA-01 ITC-01
IO-13 /120 W

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R 111136Z JUL 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7971
INFO AMEMBASSY SANTO DOMINGO

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E.O. 11652: N/A
TAGS: EPAP, ETRD, ISO, EAGR
SUBJECT: SUGAR -- MEETING OF THE AD HOC GROUP TO CONSIDER THE DOMINICAN REPUBLIC REQUEST FOR AN INCREASED QUOTA

1. SUMMARY. THE AD HOC GROUP ON THE DOMINICAN REPUBLIC QUOTA REQUEST OF THE INTERNATIONAL SUGAR ORGANIZATION (ISO) HAD ITS SECOND MEETING ON JULY 7, 1978. THE ATMOSPHERICS OF THE MEETING WERE BETTER THAN EXPECTED, PRINCIPALLY BECAUSE PRODUCERS HAD HAD COORDINATION DISCUSSIONS SEVERAL DAYS BEFORE DURING WHICH THEY DEVELOPED SOME GOOD QUESTIONS TO ASK THE DOMINICAN REPUBLIC REPRESENTATIVES. THE QUESTION AND ANSWER PERIOD, PRINCIPALLY LED BY CUBA, BRAZIL AND THE UNITED STATES, WAS INCISIVE BUT VERY FRIENDLY. THE RESPONSES OF THE DOMINICAN DELEGATES (AMBASSADOR RICARD, SR. F. ECHENIQUE SR. A. ESPINAL) WERE COMPLETE AND TO THE POINT. THE VOLUMINOUS MATERIAL SUPPLIED BY THE DOMINICAN REPUBLIC WILL BE STUDIED BY THE GROUP PRIOR TO THE NEXT MEETING TO BE SCHEDULED FOR THE LAST FEW DAYS OF SEPTEMBER OR

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THE FIRST FEW DAYS OF OCTOBER. END SUMMARY.

2. THE AD HOC GROUP UNDER INTERNATIONAL SUGAR COUNCIL DECISION 2, ITEM 18, COVERING THE DOMINICAN REPUBLIC REQUEST FOR AN INCREASED QUOTA MET ON JULY 7. A LENGTHY SERIES OF QUESTIONS WAS DEVELOPED PRIOR TO THE ARRIVAL OF THE DOMINICAN REPRESENTATIVES. THE DOMINI-

CAN REPRESENTATIVES SUPPLIED A CONSIDERABLE AMOUNT OF DATA ON THEIR SUGAR CROPS AND STORAGE CAPABILITY AS WELL AS RECENT STATISTICS AND A STATEMENT BY AMBASSADOR RICARD. (COPIES BEING SENT BY AIRGRAM TO EB/TRP AND AMEMBASSY SANTO DOMINGO).

3. QUESTIONING WAS LED BY CUBA WHICH NOTED PRODUCERS WERE PREPARED AS A GROUP TO GIVE THE DOMINICAN REPUBLIC PROBLEM SERIOUS CONSIDERATION BUT ONLY AFTER A CLOSE EXAMINATION OF ALL THE FACTORS AFFECTING BOTH THE INTERNATIONAL SUGAR AGREEMENT (ISA) AND THE WORLD SUGAR COMMUNITY. THE CUBAN DELEGATE (TABIO) SAID PRODUCERS WERE WORRIED ABOUT THE GENERAL MARKET SITUATION AND THE EFFECTS ANY INCREASE IN THE DOMINICAN QUOTA MAY HAVE ON THE LOW PRICE ALREADY PREVAILING. BRAZIL SUPPORTED THE CUBAN POSITION NOTING BRAZIL WOULD HAVE LIKED TO SOLVE THE DOMINICAN REPUBLIC PROBLEM AS SOON AS POSSIBLE BUT ALSO RECOGNIZED THERE IS NO MATERIAL POSSIBILITY OF DOING SO IN THE NEAR FUTURE SINCE THE FACTS ARE NOT YET AVAILABLE. CUBA REPEATED THAT STOCKS ARE THE CORNERSTONE OF THE QUESTION FOR BOTH THE PRESENT AND THE FUTURE IN REGARD TO THE CASE.

4. THE DOMINICAN REPUBLIC REPRESENTATIVES PRESENTED A FAR MORE COMPLETE CASE THAN HAD BEEN EXPECTED BY THE GROUP AT THIS STAGE. AMBASSADOR RICARD NOTED THE LIMITED OFFICIAL USE

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DOMINICAN REPUBLIC FEELS A VIABLE ISA IS OF THE UTMOST IMPORTANCE TO SUGAR PRODUCERS AND THAT THE DOMINICAN REPUBLIC IS WILLING TO ACCEPT CERTAIN MEASURES WHICH WOULD MAKE IT POSSIBLE TO PARTICIPATE AS A FULL ISA PARTNER. HE NOTED THE PROBLEM IS CONCENTRATED ON 1978 AND 1979, BASED ON THE DOMINICAN REPUBLIC'S HISTORIC PRODUCTION/EXPORT PERFORMANCE, DEPENDANCE ON THE FREE MARKET, AND DEPENDANCE ON SUGAR EXPORT EARNINGS. HE SAID THE DOMINICAN REPUBLIC IS WILLING TO ANALYZE THE POSSIBILITY OF DIFFERENT QUANTITATIVE RELIEF FOR 1978 AND 1979. HE NOTED THE NEW PRESIDENT-ELECT OF THE DOMINICAN REPUBLIC HAS NOTED THE DOMINICAN REPUBLIC WANTS TO BE ABLE TO CONTINUE AS PART OF THE ISA EFFORT. DURING THE QUESTIONING PERIOD THE DOMINICAN REPUBLIC REPRESENTATIVES NOTED "STOCK LEVELS IN 1977 AND 1978 ARE DUE TO A SALES POLICY OF ABSTAINING FROM THE MARKET TO CREATE BETTER SUPPLY CONDITIONS, THUS LETTING STOCKS ACCUMULATE TO VERY HIGH AMOUNTS". HE ALSO SAID THIS IS NOT A USUAL PRACTICE BUT ADMITTED THIS HAS CAUSED THEM THE CURRENT STOCK LEVEL PROBLEM. THE DOMINICAN DELEGATE ALSO NOTED SOME LONG TERM CONTRACT DELIVERY DATES MIGHT BE POSTPONED TO ENABLE THEM TO ADJUST TO THEIR 935,000

TON QUOTA, BUT THIS ADJUSTMENT IS BEYOND THE SCOPE OF
THE DOMINICAN REPUBLIC SUGAR AUTHORITIES. HE NOTED

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WITH EMPHASIS THAT "IT'S THE DOMINICAN REPUBLIC ECONOMY
THAT IS AT STAKE, NOT THE DOMINICAN SUGAR INDUSTRY."
THE REPRESENTATIVE SAID THAT SINCE THE GENEVA CONFERENCE
THE DOMINICAN REPUBLIC HAS BEEN ASSURED A SOLUTION WILL
BE SOUGHT AND THEREFORE THE SUGAR INDUSTRY IS PRODUCING
AT NORMAL LEVELS, SINCE ECONOMIC DEVELOPMENT AND DIVER-
SIFICATION COULD BE JEOPARDIZED BY THE 935,000 TON
QUOTA. HE NOTED A 1978 QUOTA COULD BE DIFFERENT FROM
THE 1979 QUOTA AND THAT THIS MIGHT BE AN ACCEPTABLE
SOLUTION.

5. FURTHER COMMENTS FOCUSSED ON STORAGE CAPACITIES AND
THE NEED FOR A BIT MORE DETAIL IN THAT AREA SINCE THERE
SEEMED TO BE SOME CONFLICTS IN THE DATA SUBMITTED BY
THE DOMINICAN REPUBLIC.

6. COMMENT. RUMOR HAS IT THAT PRODUCERS ARE PREPARED
TO GIVE THE DOMINICAN REPUBLIC AN ADDITIONAL 50,000 TO
60,000 TONS BUT A DECISION WILL NOT BE MADE UNTIL THE
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NOVEMBER SUGAR COUNCIL SESSION. THE PROFESSIONAL SUBMISSION GIVEN BY THE DOMINICAN REPUBLIC AT THE SECOND AD HOC GROUP MEETING CONTRASTS TO THE EFFORT AT THE FIRST MEETING WHICH LEFT MOST DELEGATES DISAPPOINTED WITH THE DOMINICAN REPUBLIC EFFORT. MOST IMPORTANTLY, THERE SEEMED TO BE A FEELING OF GOOD-WILL AND THE DESIRE TO WORK AT TECHNICAL LEVEL ON THE PART OF BOTH THE DOMINICAN REPUBLIC AND THE COMMITTEE. THE QUESTION WAS GIVEN SOME POLITICAL OVERTONE BY AMBASSADOR RICARD SINCE HE NOTED ON SEVERAL OCCASIONS THAT BOTH CURRENT AND INCOMING DOMINICAN ADMINISTRATIONS WOULD LIKE TO SUPPORT THE ISA IF THEY GOT THE QUOTA QUID PRO QUO. THE ISSUE IS ALSO LIKELY TO BE RAISED AGAIN IN THE OCTOBER GAPLACEA MEETING.

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